

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

EVIDEO OWNERS,)	
MAURO DIDOMENICO)	
DOUGLAS BUERGER)	
CRAIG LINDEN)	
REALVIRT, LLC)	
PAUL BAROUS)	
)	
Plaintiffs,)	No. 15-413
)	
v.)	Judge Lydia Kay Griggsby
)	
THE UNITED STATES,)	
)	
Defendant.)	
_____)	

DEFENDANT’S REPLY IN SUPPORT OF ITS MOTION TO DISMISS FOR LACK OF SUBJECT MATTER JURISDICTION AND FAILURE TO STATE A CLAIM

Defendant submits this Reply in support of its motion to dismiss for lack of subject matter jurisdiction and failure to state a claim. (Docket No. 11.) For the reasons explained below, plaintiffs have failed to carry their burden to establish that the court has jurisdiction.¹

Plaintiffs’ opposition raises a single argument that this court has jurisdiction—an implied-in-fact contract existed between the plaintiffs and the United States Patent and Trademark Office (USPTO), and the breach of that contract is actionable under the

¹ For the reasons explained in the underlying motion, plaintiffs have also failed to state a claim upon which relief may be granted and the case should be dismissed for this additional reason as well. Although plaintiffs request “preliminary discovery in order [to] prove-up the Plaintiffs’ claims regarding the Defendant’s violations of Plaintiffs’ substantive due process” (Plaintiff’s Opposition (“Opp.”), Docket No. 12), no discovery is warranted or needed, especially to determine that this Court lacks jurisdiction over plaintiffs’ claims.

Tucker Act.² As explained in defendant’s underlying motion, however, plaintiffs failed to identify the elements of an implied-in-fact contract in their complaint. Plaintiffs fail to cure this defect in their opposition. Rather, in an attempt to identify the contractual elements required to pursue a claim based on an implied-in-fact contract, plaintiffs identify obligations imposed by statutes and regulations—i.e., elements of what might be characterized as implied-in-*law* contracts. This Court has no jurisdiction, however, to address claims stemming from implied-in-law contracts. Having failed to identify any valid jurisdictional basis on which this case can proceed, the complaint must be dismissed.

As explained in the underlying motion, none of the statutory or regulatory provisions cited by plaintiffs are money mandating. In their opposition, plaintiffs do not identify any provisions in the statutes or regulations that are themselves money mandating; rather, plaintiffs attempt to characterize the statutes and regulations as creating an implied contract. It is axiomatic that “jurisdiction under the Tucker Act cannot be premised on the asserted violation of regulations that specifically do not

² Plaintiffs allege that the USPTO entered false and untenable rejections in order to block SAWS applications from issuing. (*e.g.*, Opp. at 10.) Although resolution of this issue is not necessary to address the motion to dismiss, defendant notes that this allegation is not supported by the expert report that plaintiffs attach as Exhibit 2 to their opposition. Indeed, in Paragraph 40 of the expert report, Mr. John Doll opined that “[t]he SAWS committee, in the review of the examiner’s determination under the SAWS program, may find new prior art references and/or 35 U.S.C. §§ 101 and 112 issues of patentability that an examiner may have missed during the examination. If this is the case, the SAWS committee will direct the Primary Examiner to issue a new Office Action incorporating the new prior art and/or statutory grounds of rejection.” (Opp. Ex. 2, ¶ 40.) This provides no support for plaintiffs’ allegation that “[t]he USPTO is also believed to have issued Office Actions that either maintained or added false or otherwise untenable rejections and/or objections on alternate grounds” (Opp. at 10.) As noted in the underlying motion, applications subject to SAWS were held to the same substantive patentability standards as any other application.

authorize awards of money damages” *Baker v. United States*, 50 Fed. Cl. 483, 489 (2001). This rule “cannot be avoided simply by characterizing the applicable statute or regulation as creating an implied contract.” *Id.*

Without question, this Court has jurisdiction under the Tucker Act over claims founded upon express contracts and contracts implied-in-fact. “In order to invoke jurisdiction based upon an express or implied-in-fact contract, plaintiff[s] must allege all the requisite elements of a contract with the United States, which consist of ‘a mutual intent to contract including offer, acceptance, and consideration.’” *Toon v. United States*, 96 Fed. Cl. 288, 299 (2010) (citations omitted); *see also Baker v. United States*, 50 Fed. Cl. at 489; *see also RCFC 9(k)*. The Court’s jurisdiction does not, however, extend to claims founded in contracts implied-in-law. *Toon v. United States*, 96 Fed. Cl. at 299 n.12. Plaintiffs failed to identify the elements of an implied-in-*fact* contract either in their complaint or in their opposition.

In their opposition, plaintiffs argue that the USPTO became *contractually* obligated to follow its statutory and regulatory mandates when the plaintiffs filed patent applications and paid filing fees required by statutes and regulations. Specifically, plaintiffs allege that the “Government entered into a contract with each of the Plaintiffs to accept fees in exchange for a fair and open examination of their respective applications for the grant of a patent.” (Opp. at 6.) According to plaintiffs, “37 CFR proscribes the mandatory provisions of a fair and open examination process and those provisions were breached by the Government.” (Opp. at 6.) Similarly, plaintiffs contend that “35 U.S.C. § 132(a) sets a mandatory performance condition that is incumbent upon the USPTO for its fulfillment of the implied-in-fact contracts between patent applicants and the USPTO.”

(Opp. at 5.)

According to plaintiffs, the “offer” of the contracts is “the offer by the USPTO to accept a utility patent application when filed according to 35 U.S.C. § 111 or § 371 and to properly, fairly and openly examine that application.” (Opp. at 8.) Plaintiffs continue that the acceptance is “the filing of the patent application with payment of the initial filing fees.” (Opp. at 8.) Thus, it appears that plaintiffs’ argument is that when they paid patent filing fees, the United States became *contractually* obligated to follow statutory and regulatory rules.

When faced with similar allegations in the past, this Court has found it lacked subject matter jurisdiction. In *Lion Raisins, Inc. v. United States* the plaintiff argued that the United States had breached an implied contract when it failed to conduct paid-for raisin inspections fairly, accurately, and completely. 54 Fed. Cl. 427 (2002). Like the plaintiffs here, the plaintiff in *Lion Raisins* alleged that when it paid a fee for raisin inspection services, the USDA was contractually obligated to follow statutory and regulatory rules regarding the inspection process. *Id.* at 431-32. Also like the plaintiffs here, the plaintiff in *Lion Raisins* argued that ““since Lion has agreed to those inspections services in return for consideration of the inspection fee that there is an offer, acceptance, and consideration . . . It is basically a contract by fiat.”” *Id.* at 432 (citations omitted). The Court rejected the plaintiff’s argument that this created an implied-in-fact contract, noting that “Plaintiff’s argument misapprehends the law,” and explaining that “a duty imposed by law did not create a contract within the Tucker Act jurisdiction of the court” *Id.* The Court concluded that “[a]ny obligations which arise under the [applicable regulation] would be implied in law, not implied-in-fact, and are therefore outside of this

court's jurisdiction." *Id.*

Here, plaintiffs attempt to argue the existence of a contract based on obligations which arise under statutes and regulations. These arguments "misapprehend[] the law" and fail to establish that the Court has jurisdiction. For the foregoing reasons, defendant respectfully requests that the Court dismiss the plaintiffs' First Amended Complaint.

Respectfully submitted,

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